



BIOALPHA HOLDINGS BERHAD

(Registration No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020

	<--- Individual Quarter --->		<--- Cumulative Quarter --->	
	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2019 RM'000
Revenue	16,721	18,413	36,515	62,204
Cost of sales	(22,164)	(10,353)	(47,373)	(37,979)
Gross (loss) / profit	(5,443)	8,060	(10,858)	24,225
Other incomes	466	1,173	1,487	3,737
Administrative expenses	(8,987)	(5,040)	(28,071)	(16,637)
(Loss) / profit from operations	(13,964)	4,193	(37,442)	11,325
Finance costs	(148)	(248)	(503)	(530)
(Loss) / profit before taxation	(14,112)	3,945	(37,945)	10,795
Taxation	(103)	(884)	(952)	(1,566)
(Loss) / profit for the financial period	(14,215)	3,061	(38,897)	9,229
(Loss) / profit for the financial period attributable to:				
- Owners of the parent	(13,985)	3,033	(37,781)	9,062
- Non-controlling interests	(230)	28	(1,116)	167
	(14,215)	3,061	(38,897)	9,229
Earnings per share attributable to owners of the parent (sen):				
- Basic	(1.297)	0.353	(3.701)	1.054
- Diluted	(1.133)	0.303	(3.211)	0.904

Notes:

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of BHB for the financial year ended ("FYE") 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Unaudited As at 31 Dec 2020 RM'000	Audited As at 31 Dec 2019 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	49,309	48,642
Intangible assets	48,252	44,539
Right-of-use assets	12,579	13,377
Goodwill on consolidation	5,384	5,891
	<u>115,524</u>	<u>112,449</u>
CURRENT ASSETS		
Biological assets	693	582
Inventories	7,195	10,137
Trade receivables	25,158	44,630
Other receivables	13,506	13,159
Tax recoverable	410	352
Other investments	12	11
Fixed deposits with licensed banks	16,101	9,682
Cash and bank balances	11,498	2,853
	<u>74,573</u>	<u>81,406</u>
TOTAL ASSETS	<u>190,097</u>	<u>193,855</u>
EQUITY		
Share capital	135,797	99,764
Reserves	28,200	65,783
Equity attributable to owners of the parent	<u>163,997</u>	<u>165,547</u>
Non-controlling interests	(1,400)	(283)
TOTAL EQUITY	<u>162,597</u>	<u>165,264</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,742	5,177
Bank borrowings	3,748	4,186
Deferred tax liabilities	8,955	8,108
	<u>17,445</u>	<u>17,471</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONT'D)

	Unaudited As at 31 Dec 2020 RM'000	Audited As at 31 Dec 2019 RM'000
CURRENT LIABILITIES		
Trade payables	2,227	4,218
Other payables	3,940	3,884
Lease liabilities	1,279	1,356
Bank borrowings	2,498	1,281
Tax payable	111	381
	10,055	11,120
TOTAL LIABILITIES	27,500	28,591
TOTAL EQUITY AND LIABILITIES	190,097	193,855
NET ASSETS PER SHARE (sen)	14.64 ⁽¹⁾	19.22 ⁽²⁾

Notes:

(1) Based on 1,110,470,832 ordinary shares in BHB as at 31 December 2020.

(2) Based on 860,209,032 ordinary shares in BHB as at 31 December 2019.

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of BHB for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020

	Audited								Distributable		
	<----- Non-Distributable ----->										
	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserve RM'000	SIS Option Reserve RM'000	Merger Deficits RM'000	Foreign Currency Translation Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2019	99,764	-	16,853	837	(4,969)	(138)	(16,853)	62,127	157,621	(303)	157,318
Opening balance adjustment from adoption of MFRS 16	-	-	-	-	-	-	-	(329)	(329)	-	(329)
Balance as at 1 January 2019 (restated)	99,764	-	16,853	837	(4,969)	(138)	(16,853)	61,798	157,292	(303)	156,989
Profit for the financial year	-	-	-	-	-	-	-	8,316	8,316	9	8,325
Foreign currency translation reserves	-	-	-	-	-	85	-	-	85	11	96
Total comprehensive income	-	-	-	-	-	85	-	8,316	8,401	20	8,421
Transactions with owners											
Shares repurchased	-	(146)	-	-	-	-	-	-	(146)	-	(146)
Balance as at 31 December 2019	99,764	(146)	16,853	837	(4,969)	(53)	(16,853)	70,114	165,547	(283)	165,264

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

	Unaudited										
	<----- Non-Distributable ----->						Distributable				
	Share Capital	Treasury Shares	Warrant Reserve	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	99,764	(146)	16,853	837	(4,969)	(53)	(16,853)	70,114	165,547	(283)	165,264
Loss for the financial period	-	-	-	-	-	-	-	(37,780)	(37,780)	(1,117)	(38,897)
Foreign currency translation reserves	-	-	-	-	-	23	-	11	34	-	34
Total comprehensive loss	-	-	-	-	-	23	-	(37,769)	(37,746)	(1,117)	(38,863)
Transactions with owners											
Exercises of SIS	36,033	-	-	(1,403)	-	-	-	-	34,630	-	34,630
Share options granted under SIS	-	-	-	794	-	-	-	-	794	-	794
Shares resell	-	146	-	-	-	-	-	626	772	-	772
	36,033	146	-	(609)	-	-	-	626	36,196	-	36,196
Balance as at 31 December 2020	135,797	-	16,853	228	(4,969)	(30)	(16,853)	32,971	163,997	(1,400)	162,597

Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020

	Unaudited Current Period to date 31 Dec 2020 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(37,945)	10,795
Adjustments for:		
Amortisation of intangible assets	4,248	3,718
Amortisation of deferred capital grant	(368)	(368)
Amortisation of biological assets	110	312
Amortisation of right-of-use assets	1,375	1,019
Bad debts written off	3,144	-
Depreciation of property, plant and equipment	7,574	6,597
Grant income	-	(1,707)
Impairment losses on trade receivables	3,426	(86)
Impairment loss on goodwill	507	-
Interest expense	503	529
Interest income	(319)	(484)
Inventories written off	4,164	-
Loss on disposal of property, plant and equipment	78	-
Property, plant and equipment written off	47	78
Provision for slow moving inventories	680	-
Rental income	(14)	(32)
Reversal of impairment losses on trade receivables	-	(19)
Share-based payment	794	-
Unrealised loss/ (gain) on foreign exchange	389	(53)
Operating (loss) / profit before working capital changes	(11,607)	20,299
Changes in working capital:		
Biological assets	(189)	(903)
Inventories	(1,902)	(795)
Trade receivables	12,903	(3,047)
Other receivables	(345)	2,221
Trade payables	(1,991)	(378)
Other payables	421	(386)
Cash generated from operations	(2,710)	17,011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

	Unaudited Current Period to date 31 Dec 2020 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Grant received	-	1,707
Interest paid	(503)	(364)
Interest received	319	484
Rental received	14	32
Tax refund	3	556
Tax paid	(368)	(743)
NET CASH FROM OPERATING ACTIVITIES	(3,245)	18,683
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in intangible assets	(7,396)	(11,782)
Net placement of fixed deposits	(4,000)	-
Purchase of property, plant and equipment	(9,325)	(15,463)
Proceeds from disposal of property, plant and equipment	104	23
NET CASH USED IN INVESTING ACTIVITIES	(20,617)	(27,222)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decreased in fixed deposit pledged and maturity more than 3 months	(23)	11,475
Drawdown hire purchase loans	100	-
Net change of bankers' acceptance	2,010	260
Proceeds from issue of share capital	34,657	-
Purchase of treasury shares	(508)	(144)
Repayment of lease liabilities	(1,032)	(1,219)
Repayment of finance lease liabilities	-	(180)
Repayment of term loans	(1,231)	(662)
Proceeds from sale of treasury shares	1,279	-
NET CASH FROM FINANCING ACTIVITIES	35,252	9,530

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

	Unaudited Current Period to date 31 Dec 2020 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2019 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	11,390	991
EFFECT OF EXCHANGE TRANSLATION		
DIFFERENCES	(361)	160
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	7,969	6,085
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	18,998	7,236
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	11,498	3,110
Fixed deposits with licensed banks	16,101	9,682
	27,599	12,792
Less: Fixed deposits pledged with licensed banks	(1,101)	(1,056)
Less: Fixed deposits maturity more than 3 months	(7,500)	(4,500)
	18,998	7,236

Note:

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020

A1. Accounting policies and methods of computation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for the FYE 31 December 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the FYE 31 December 2019 except as disclosed below:

As of 1 January 2020, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRSs and amendments effective for annual period beginning on or after 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3: Business Combinations (Definition of a Business)
Amendments to MFRS 7: Financial Instruments – Disclosure (Interest Rate Benchmark Reform)
Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
Amendments to MFRS 139: Financial Instruments – Recognition and Measurement (Interest Rate Benchmark Reform)

The adoption of the above pronouncement has no material financial impact to the Group.

Standards issued but not yet effective:

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standard Board (“**MASB**”) where the effective has been deferred to a date to be determined by MASB and have not been applied by the Group:

Amendments to MFRS 10: Consolidated Financial Statements (Sale or Contribution of Assets between Investor and its Associate or Joint Venture)
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Sale or Contribution of Assets between Investor and its Associate or Joint Venture)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

A2. Auditors' report of preceding annual financial statements

There was no qualification to the audited consolidated financial statements of the Company for the FYE 31 December 2019.

A3. Seasonal or cyclical factors

The Group's sales typically peak in the third (3rd) and fourth (4th) quarter of the calendar year with strong purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period-to-date.

A5. Material changes in estimates

There were no material changes in estimates of amounts reported in prior interim periods or prior year that would have a material effect on the current quarter's results.

A6. Debt and equity securities

During the financial period-to-date, the Company increased its issued and paid up share capital (excluding share premium) from 860,209,032 as at 31 December 2019 to 1,110,470,832 as at 31 December 2020 by way of issuance of 103,705,000 new ordinary shares pursuant to the exercise of the Employees' Share Option Scheme and 147,186,800 of private placement shares.

As at 31 December 2020, there is no treasury shares have been held by the Company.

There was no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period-to-date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

A7. Segmental information

The Group's revenue based on the geographical location of its customers is presented as follows:

	Current quarter ended		Period-to-date	
	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2019 RM'000
Malaysia	7,484	8,883	25,515	34,875
Indonesia	300	3,518	893	10,924
China	8,937	6,012	10,107	16,405
Total	16,721	18,413	36,515	62,204

The Group's revenue based on the activities is presented as follows:

	Current quarter ended		Period-to-date	
	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2019 RM'000
Manufacturing & sale of finished health supplement products	13,091	12,353	20,253	36,229
Retail pharmacies	3,630	6,060	16,262	25,975
Total	16,721	18,413	36,515	62,204

A8. Valuation of property, plant and equipment

The Group has not carried out any valuation of its property, plant and equipment in the current quarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

A9. Capital commitments

	Unaudited Current quarter ended 31 Dec 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

A11. Contingent liabilities

	Unaudited Current quarter ended 31 Dec 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 RM'000
Unsecured:		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	200	500

A12. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of the current quarter and financial period-to-date that have not been reflected in this interim financial report.

A13. Related party transactions

There was no additional related party transaction entered into with related parties during the current financial quarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue recorded at RM16.72 million as compared to RM18.41 million in the preceding year corresponding quarter. The soft performance was on the back of decline in contribution from both the manufacturing of health supplement products and retail pharmacy segments due to impact from the Novel Coronavirus ("**COVID-19**") and the resultant strict containment measures imposed by authorities across the markets we operate in, including Malaysia.

Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing and sale of finished health supplement products

Revenue generated from this segment for current quarter was RM13.10 million as compared to RM12.35 million in the preceding year's corresponding quarter ended 31 December 2019, representing an increase of RM0.75 million.

The higher turnover was mainly due to improved performance in Malaysia and China. For our China market, we saw maiden contribution from the Group's health food supply contract during the quarter as we commenced supply of ingredients for the preparation of health food and nutritional meals to customers in Guizhou province, China in September 2020. We have localised our operations in Hainan by setting up a subsidiary, Bioalpha (Hainan) Health Biotechnology Limited ("**Bioalpha Hainan**"), on 26 August 2020 to facilitate orders more swiftly. Since its inception, Bioalpha Hainan has contributed sales amounting to RM9 million in the current quarter.

Over in Malaysia, the Group focused on fulfilling local orders from existing and new Original Design Manufacturing ("**ODM**") clients, boosted by the year-end promotional campaigns. As a result, sales for current quarter increased to RM3.60 million from RM2.05 million in the preceding year corresponding quarter.

(ii) Retail pharmacies

Revenue generated from this segment for the current quarter amounted to RM3.63 million as compared to RM6.06 million in the preceding year's corresponding quarter ended 31 December 2019. This was mainly due to much lower sales of house brand health supplement products at designated tourist destination spots which had been closed since January 2020 in the wake of the drop in Chinese tourist numbers due to international travel restrictions.

On the other hand, foot traffic at retail pharmacy outlets decreased during the quarter under review as consumers remained cautious on spending in anticipation of the end of the loan moratorium period on October 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B1. Analysis of performance (cont'd)

During the quarter under review, the Group also incurred approximately RM3.03 million of impairment for trade receivables, stock written off amounting to about RM2.14 million and professional fees charged out approximately RM0.8 million due to the abortion of the main market transfer listing. Consequently, net loss attributable to the owners of the parent for current quarter was RM13.99 million. By comparison, the Group recorded a net profit of RM3.03 million in the preceding year's corresponding quarter.

Comparison with immediate preceding quarter's results

The revenue for the fourth (4th) quarter ended 31 December 2020 increased by RM9.85 million or 143% to RM16.72 million from RM6.87 million in the third (3rd) quarter ended 30 September 2020. The stronger performance was underpinned by a recovery in our manufacturing of health supplements business across all our key markets in Malaysia, China and Indonesia. At the same time, Bioalpha Hainan has contributed over RM9 million worth of sales in the 4th quarter.

B2. Prospects for the financial year ending 31 December 2021

Going into 2021, the aftershocks of COVID-19 pandemic are expected to persist with prevailing uncertainties. Nonetheless, we foresee consumer sentiment to gradually improve as mass vaccination programme picks up pace worldwide, including Malaysia. Against this backdrop, we look forward to a recovery performance in 2021, supported by rebound in existing customers' orders, higher contribution from China as well as orders from new customers.

Moving forward, the Group continue to monitor and assess our cost structure to ensure it is aligned with operating activity while strengthening all our divisions. For our domestic manufacturing business, the Group remain focused on serving the needs of our ODM clients while securing new customers and expanding the Group's product pipeline to include more offerings for in-demand areas such as immunity and longevity, among others.

As the Group move forward, the Group remains focused on conserving cash while strengthening our business segments. For the domestic manufacturing business, the Group continues its efforts to build a solid product pipeline, especially on immunity-related offerings, to cater to the demands of our existing ODM clients, while securing new customers. At the same time, Bioalpha aims to fill the existing supply shortage of imported health supplements products in Malaysia due to trade disruptions arising from the lockdown measures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B2. Prospects for the financial year ending 31 December 2021 (cont'd)

As for our export business, in view of the current development, the Group anticipates export sales to gradually recover in the last quarter of 2020, following trade activities normalization and gradual easing of government containment measures. Specifically, in China, the Group continues to work closely with distributors and partners there. Meanwhile, the newly-secured contract to supply health food and nutritional meals to the public and private sectors in China is expected to accelerate the Group's growth there, opening a new income stream and market segment.

Meanwhile, the Group anticipate our export sales to improve in 2021 following recovery in trade activities and easing of government containment measures. Over in China, our efforts are channelled towards solidifying our presence as the Group continue to work with our distributors and partners there. The Group's health food supply contract is expected to accelerate Bioalpha's growth there, with maiden full-year contribution expected in 2021. Our Indonesian market is also expected to gradually recover with the launch of their national vaccination drive.

Collectively, the Group foresee our manufacturing business to pick up in 2021, underpinned by steady economic recovery and increased healthcare awareness due to the COVID-19 pandemic.

For our retail pharmacy business, the Group have refreshed our strategy and is currently performing a re-branding exercise with intensified promotional and marketing activities to gain more traction. The Group believe community pharmacies such as Constant would thrive as people prefer to visit these pharmacies instead of those at the malls to avoid crowd in the present pandemic situation. The Group are also working towards enhancing our online presence to increase customer reach, leveraging on the greater adoption of e-commerce amongst consumers due to the pandemic.

In conclusion, the Group remain agile and resilient in the face of evolving market environment, on the back of our strategic initiatives to strengthen our core operations and enhance income streams. Based on these developments, we expect Bioalpha's overall performance to gradually improve for the financial year ending 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B3. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

B4. Foreign Exchange Exposure / Hedging policy

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are United States Dollar ("USD"), Chinese Renminbi ("CNY") and Singapore Dollar ("SGD").

The Group have not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	56	6	101	315
- Over provision in prior period	-	-	-	(146)
	<u>56</u>	<u>6</u>	<u>101</u>	<u>169</u>
Deferred tax:				
- Origination and reversal of temporary differences	47	878	851	1,397
	<u>47</u>	<u>878</u>	<u>851</u>	<u>1,397</u>
	<u>103</u>	<u>884</u>	<u>952</u>	<u>1,566</u>
Effective tax rate (%)	-	22.41	-	14.51

Bioalpha East Coast Agro Sdn Bhd ("BECASB"), another wholly-owned subsidiary of the Group, was awarded tax incentive by the Malaysian Investment Development Authority, which allows BECASB to enjoy 100% tax exemption on income after commercial production date is determined by the relevant authorities for a period of ten (10) years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)**B5. Taxation (cont'd)**

Bioalpha R&D Sdn Bhd (“**BRDSB**”), a wholly-owned subsidiary of the Group, was awarded BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn Bhd, which allows BRDSB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years ended 30 June 2018 and 20% concessionary tax rate on statutory income (10) years, upon expiry of the tax exemption period. BRDSB had on 28 November 2017 submitted an application to Malaysian Bioeconomy Development Corporation Sdn Bhd (“**Bioeconomy Corp**”) for the concessionary tax rate of 20% on statutory income for 10 years. The application is currently under review by Bioeconomy Corp, subject to the Ministry of Finance’s decision on the concessionary tax rate for BioNexus-status companies.

Bioalpha (Johor Herbal) Sdn Bhd (“**BJHSB**”), another subsidiary of the Group, was awarded an incentive by Ministry of Agriculture and Agro-Based Industry Malaysia, which allows BJHSB to enjoy 100% tax exemption on income for a period of ten (10) years commencing from 1 January 2018.

Bioalpha (Hainan) Health Biotechnology Limited (“**BHHBL**”), another subsidiary of the Group which incorporated at China are taxed at the statutory rate of 15% on their chargeable incomes.

Meanwhile, the Group’s other subsidiaries are taxed at the statutory rate of 24% on their chargeable incomes.

B6. Status of corporate proposals and utilisation of proceeds

- (a) Pursuant to the July 2020 Placement completed on 17 July 2020, the Company has issued a total of 94,309,700 new Bioalpha Shares at RM0.105 each and raised approximately RM9.90 million.

The status of the usage of the proceeds from the July 2020 Placement as at the LPD are as follows:

No.	Purpose	Proposed Usage RM'000	Actual Utilisation RM'000	Balance as at 31 Dec 2020 RM'000	Intended time Frame for Utilisation
(a)	Digitalisation expenses	3,000	(800)	2,200	Within 24 months
(b)	Development expenditure	3,762	(3,011)	751	Within 24 months
(c)	Marketing and advertising expenses	3,037	(550)	2,487	Within 24 months
(d)	Expenses for the private placement	104	(104)	-	Within 1 month
Total		<u>9,903</u>	<u>(4,465)</u>	<u>5,438</u>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B6. Status of corporate proposals and utilisation of proceeds (cont'd)

- (b) On 26 November 2020, the Company has issued a total of 52,877,100 new Bioalpha Shares at RM0.25 each and raised approximately RM13.22 million.

The status of the usage of the proceeds from the November 2020 Placement as at the LPD are as follows:

No.	Purpose	Proposed Usage RM'000	Actual Utilisation RM'000	Balance as at 31 Dec 2020 RM'000	Intended time Frame for Utilisation
(a)	Working capital for Hainan operation	12,969	(4,355)	8,614	Within 12 months
(b)	Expenses for the private placement	250	(250)	-	Within 1 month
Total		<u>13,219</u>	<u>(4,605)</u>	<u>8,614</u>	

B7. Trade receivables

	Unaudited 31 Dec 2020 RM'000
Trade receivables	28,584
Less: Accumulated impairment losses	<u>(3,426)</u>
	<u>25,158</u>

The Group's normal trade credit terms ranged from 30 to 180 days. Other credit terms are assessed and approved on a case-to-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B8. Borrowings

The Group's borrowings as at 31 Dec 2020 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	607	3,748	4,355
Unsecured			
Bankers' acceptance	1,891	-	1,891
Total bank borrowings	2,498	3,748	6,246

	Unaudited 31 Dec 2020 RM'000	Audited 31 Dec 2019 RM'000
Total bank borrowings	6,246	5,467
Less: Deposit, bank and cash balances	(27,599)	(12,535)
	(21,353)	(7,068)
Total equity	163,997	165,547
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 4.96% p.a. and 2.55% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial year ended 31 December 2020 and financial year ended 31 December 2019 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

B9. Material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board is not aware of any other proceedings pending or threatened or of any fact likely to give rise to any other proceedings.

B10. Dividends

The Board did not recommend any dividend during the financial year ended ("**FYE**") 31 December 2020 (*FYE 31 December 2019: Nil*).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net (loss) / profit attributable to owners of the parent	(13,985)	3,033	(37,781)	9,062
Weighted average number of ordinary shares in issue ('000)	1,078,027	860,071	1,020,774	860,174
Basic earnings per share (sen)	<u>(1.297)</u>	<u>0.353</u>	<u>(3.701)</u>	<u>1.054</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net (loss) / profit attributable to owners of the parent	(13,985)	3,033	(37,781)	9,062
Weighted average number of ordinary shares in issue ('000)	1,234,010	1,002,704	1,176,757	1,002,807
Diluted earnings per share (sen)	<u>(1.133)</u>	<u>0.302</u>	<u>(3.211)</u>	<u>0.904</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2020 (CONT'D)**B12. Disclosure on selected expense/(income) items as required by the Listing Requirements**

Included in profit before taxation are the following expense/(income) items:

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	22	-	3,144	-
Depreciation and amortisation expenses	3,501	3,489	12,939	11,279
Loss on disposal of property, plant and equipment	-	-	78	-
Impairment of goodwill	-	-	507	-
Loss / (Gain) on foreign exchange				
- Realised	-	3	58	10
- Unrealised	384	(25)	389	(53)
Impairment losses on trade receivables	3,028	21	3,426	(86)
Interest expenses	148	248	503	530
Interest income	(86)	(88)	(319)	(484)
Inventories written off	2,135	-	4,223	-
Property, plant and equipment written off	-	68	47	78
Provision for slow moving inventories	680	-	680	-
Rental income	-	(7)	(14)	(32)
Reversal of impairment losses on trade receivables	-	(19)	-	(19)

There was no provision for gain or loss on disposal of quoted and unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period-to-date.

BIOALPHA HOLDINGS BERHAD (Registration No: 201101021398 (949536-X))

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th)
QUARTER ENDED 31 DECEMBER 2020 (CONT'D)**

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 2 March 2021.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 2 March 2021